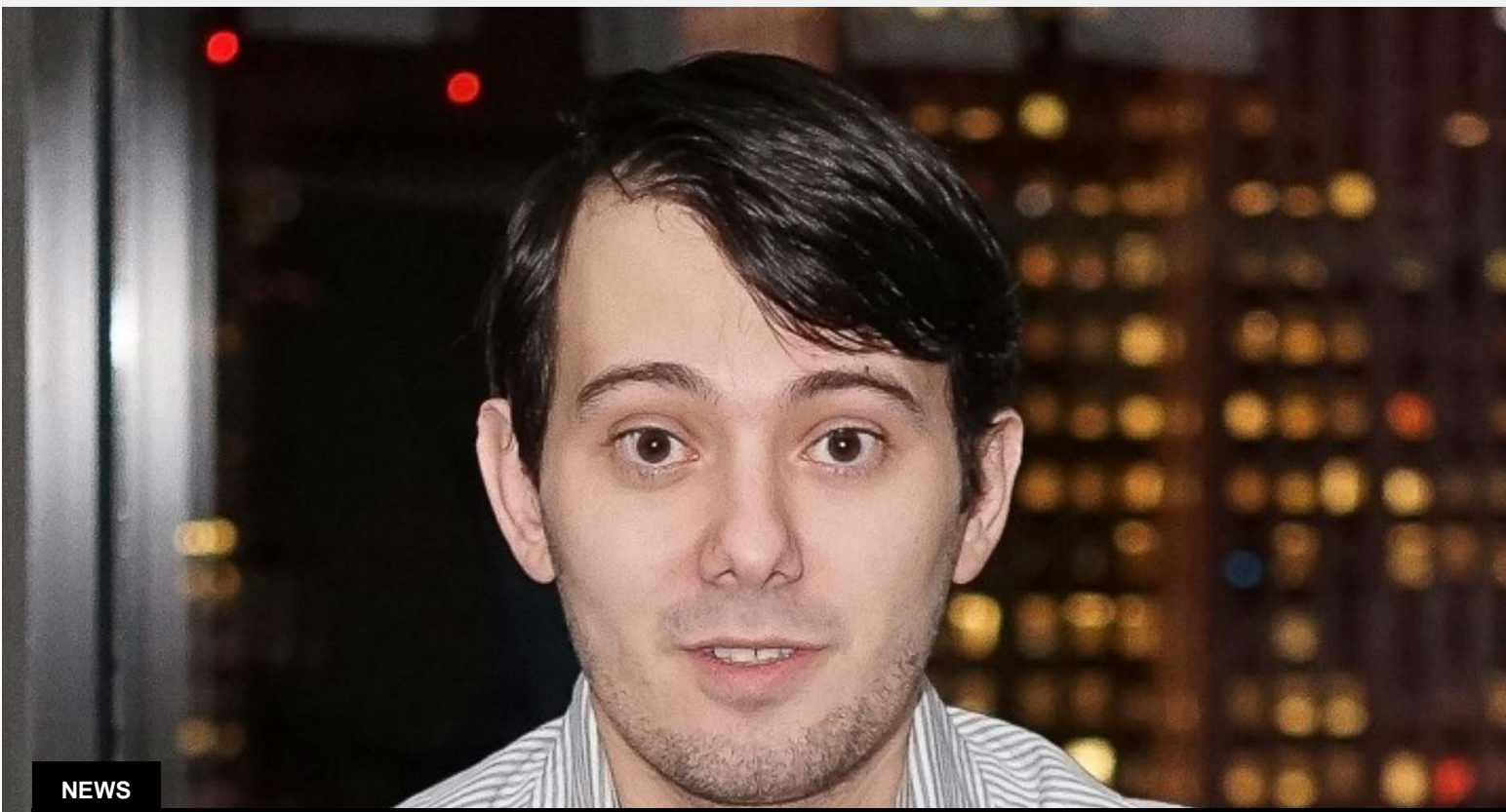


Exhibit 18



NEWS

Wine, Wu-Tang, and Pharmaceuticals: Inside Martin Shkreli's World



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Is everyone's least favorite "pharma bro" turning over a new leaf? Or just looking for more attention?

Martin Shkreli thinks he would do just fine in prison.

He's been to jail already, dragged out of bed after a fuck-you knock early one December morning by FBI agents over securities and wire fraud charges. But he describes that experience the way he does nearly everything: as a parable of how Shkreli is always getting ahead. He even fondly recalls the moment one agent asked him what shoes he wanted to wear before being paraded in front of the news cameras waiting outside the Murray Hill Tower Apartments in Midtown Manhattan.

"When I pointed at these," Shkreli says, gesturing down to some dark brown penny loafers, "the guy was like, 'Nice choice.'"

And when he arrived at the holding pen in the Brooklyn federal courthouse? "They gave me my own cell and there were like, ten dudes in the other cell," he says. "I was like the king."

Given that Shkreli is about five-foot-eight with the physique of a professional *League of Legends* player and a handshake so weak it barely registers as human contact, it's hard to imagine he's not afraid of being locked up. But if anyone could get by behind bars on pure bullshit and bravado, it's Martin Shkreli.

"These prisons, by the way, are like dorms," he says, evidently trying to reassure at least one of us.

Shkreli's apartment is, in fact, a bit like a dorm. The décor is straightforward single-guy-in-his-twenties, though he happens to be 32: IKEA furniture, guitars, an Xbox 360, a computer from which he live streams almost every day. And the shelves are crowded with stuff you'd expect from an undergrad with a right-wing tilt: *The Prince*, *Wine for Dummies*, *Ender's Game*, CliffsNotes for Ayn Rand. The one hint that he's not your average aimless ex-student is that instead of a Picasso print purchased from a campus bookstore for \$7.99, he has an actual Picasso.

Before last fall, Shkreli was no one in particular. Sure, he had the highs and lows you'd expect from a finance wunderkind: some failed hedge funds, a misadventure ending in lawsuit at the helm of a biotech company called Retrophin, more money than he knew what

to do with. But those things are common enough in the circles he spun through. Then, last summer, his latest company, Turing Pharmaceuticals, bought and jacked up the price of Daraprim, an obscure drug used to treat a parasitic disease called toxoplasmosis that sometimes afflicts AIDS and cancer patients and pregnant women, by more than 5,000 percent. That got seemingly the entire country—up to and including the Democratic candidates for president—mad as hell. By the time news leaked that Shkreli was the mystery buyer of the lone copy of an unreleased Wu-Tang Clan album, he was already public enemy number one; when he said he hadn't even bothered listening to the record, for which he paid \$2 million, you got the sense that he was trolling on the scale of a supervillain.

**"On the record, you wouldn't be able to find someone who's like, 'Oh, that guy scammed me.' Didn't fucking happen."
—Martin Shkreli**

The media began covering every minute detail of the now infamous "pharma bro." The *Washington Post* **published** the blow-by-blow account of a woman who went on a Tinder date with Shkreli; Gawker **broke down** one of his last live-stream broadcasts before the arrest; *Vanity Fair* **ran a profile** in which he was called "Wall Street's most visible villain"; other outlets dug into **the history of lawsuits against him**, including one that claimed he harassed a former employee. Shkreli says a *New Yorker* reporter—who apparently learned he's a fan of bands like Thursday, Brand New, and New Found Glory—has been haranguing him to attend an emo night.

By December, the number of allegations against Shkreli and the people who had beef with him was testing the bounds of credulity. An ex-girlfriend **said** he offered her \$10,000 to go

down on her. Bernie Sanders **rejected** a campaign donation from Shkreli, and Donald Trump **called him** a "spoiled brat" and a "disgrace." And just last week, Ghostface Killah **traded insults** with him on Twitter on the same day his lawyer said the Federal Trade Commission (FTC) was **investigating** Turing for price-gouging.

So there were plenty who rejoiced when the hip-hop–hoarding mogul was **accused by the feds** of essentially being a con man. Prosecutors claim Shkreli lied to his hedge fund investors about their returns after losing a disastrous bet, then paid them back in Retrophin stock by hiring them as "consultants," cooking his books. Now Shkreli is preparing to defend himself at trial while dealing with the fallout of being America's new favorite bad guy.

Echoing **comments** he made to the *Wall Street Journal*, Shkreli tells me he regrets playing a "character" on TV and Twitter. He also says that raising drug prices hurts insurance companies rather than patients, and that his public persona led to his being targeted by the authorities. He's a pro wrestling fan, and clearly wants to do a heel-face turn—transforming himself into the people's champ. But at the same time, he realizes that the villain people love to hate gets more airtime. And attention is something he desperately, achingly craves.

"A great bad guy is your best act," he says.

It's telling that Shkreli's current favorite wrestler is Damien Sandow, an elitist who pretends to be a Rhodes scholar, holds the microphone like a wine glass, and has a move called *Cubito Aequet*—Latin for "Elbow of Disdain."

"Everyone's booing him and he just talks down to the crowd and it's lovely," Shkreli explains.

He insists, though, that his own bad reputation is just that—a rep—and that the feds won't find anyone he's actually harmed. "What the government wants with Ponzi schemes and things like this is a little old lady who sits on the stand and cries," he says. He later adds: "On the record, you wouldn't be able to find someone who's like, 'Oh, that guy scammed me.' Didn't fucking happen."

He adds that any misrepresentation about his funds can be chalked up to a combination of salesmanship and his desire to look cool. "I felt that I had to be the big guy on campus. I wanted to beat my chest, and if there's a way to describe my fund as a \$5 million fund and there's a way to describe my fund as a \$30 million fund, and both have some modicum of truth in them, I'll take 30. I wanted to look good, and I regret that."

Shkreli is facing up to 20 years in prison, though he expects to get no more than two years because, he claims, none of his investors lost money. And it doesn't exactly hurt that he's "spending millions to influence the jury pool in Brooklyn," as he jokes.

If he does wind up inside, the thing Shkreli will miss most is, of course, being online.

"Honestly, if [prison] were internet-enabled, no cares in the world," he says. "But I don't think they let you fuck around on the internet."



Before Martin Shkreli was a cautionary tale, he was a Horatio Alger story. He was born in Sheepshead Bay, Brooklyn, to a pair of Montenegrin immigrants who came to America after an arranged marriage. They worked as janitors and struggled to take care of their four children, especially Shkreli's younger brother, who is now 28 and allegedly suffers from treatment-resistant depression so severe he can barely tie his own shoes. (Shkreli's parents declined to participate in this story.)

"I came from a very, very poor family, and I didn't know we were poor," Shkreli tells me over filet mignon, lobster, and cauliflower at the Capital Grille in Midtown, where he's on a first-

name basis with employees. "I thought we were rich. I had no idea what, like, Manhattan was."

He was always smart, though—so smart his parents would ask little Martin to read aloud from *Uncle Tom's Cabin* to astounded relatives as a party trick. He went on the gifted track, getting a spot at Hunter College High School, among the more prestigious (and selective) public schools in the city. "You can't think of it in terms of a typical high school," recalls one former classmate. "We didn't really have jocks and nerds and stuff like that."

A statistics fanatic, Shkreli would pore over the *New York Post* sports section, memorizing batting averages. Then he started flipping over to the stocks section, which had even more—and arguably more important—numbers to play with. By his early teen years, he tells me, he had such a reputation that when he visited a girl's home in the hopes of fooling around with her, her dad sat him down for what he thought would be a terrifying talk.

It turned out he just wanted stock tips.

Shkreli recalls showing up to high school in order to "mostly, like, hang out with chicks, play guitar and basketball" while skipping class.

He had other interests, like games of chess with the old guys at the public library down the block, or playing in a punk band named Coney Island Whitefish, after a Joan Jett song. Shkreli recalls showing up to high school in order to "mostly, like, hang out with chicks, play guitar and basketball" while skipping class. A former bandmate describes him as a funny slacker who didn't have many friends. Finance was always his lodestar.

In 2000, when he wasn't even 18, Shkreli got a job interview with Jim Cramer, who would go on to fame as the *Mad Money* TV stock analyst but was still running his own hedge fund at the time. Shkreli worked there for four years, through his time at Baruch College, and emerged as a Blackberry-wielding associate at another firm called Intrepid Capital.

"They would go out to bars, like the kind of bars that are in Murray Hill, sort of like fratty bars," recalls an ex-girlfriend of Shkreli and his coworkers. "And they would pretend that they were so important at work that they were on call all the time."

A couple years later, Shkreli **started** his first hedge fund, Elea Capital Management, which tanked after a **failed bet** that left him owing \$2.3 million to Lehman Brothers in 2007. He moved back in with his parents and started over. Luckily for Shkreli, Lehman collapsed before it could collect, he says, which allowed him to get rolling again with MSMB Capital in the aftermath of the 2008 financial crisis.

The new project required getting people much older than he was to trust him with a lot of money. But Shkreli has a surprising gift for getting people to like him. He'd swallow his atheism and head down to Texas to participate in prayer circles, he says, and once **showed up** to a JP Morgan conference and loudly challenged Al Mann, a billionaire whose company **developed** intranasal insulin. "It got to the point that the old man tried to fight Martin in the hallway," remembers a friend who was there that day. "They had to get separated." The stunt worked, though, because everyone had to know who the kid willing to publicly argue with an industry rockstar was.

His youth worked in his favor as well. "It's actually very surprising," explains someone who used to work in management at MSMB. "In the hedge fund world, there really isn't much ageism. It's actually a young person's sport, because it's just crazy hours. At 35, you're considered old."

Shkreli's basic strategy was to short—a.k.a. bet against—biotech stocks, while trash-talking companies he wanted to fail on the financial website **Seeking Alpha**. Then, in February 2011, Shkreli bet against a company called Orexigen Therapeutics and lost more than \$7 million, which he recalls as a "big, big disaster."

His reputation took another hit in July 2012, when the good government group Citizens for Responsibility and Ethics in Washington (CREW) **asked** the Department of Justice to look into his online antics. The group's director, Melanie Sloan, said at the time that Shkreli seemed "more interested in lining his own pockets than in fostering groundbreaking medical advances."

He vehemently denies that claim, citing his family's history of mental health problems as the

reason he got into the pharmaceutical industry. It was out of a desire to heal people, Shkreli says, that he switched in 2012 from betting against biotech companies to taking over Retrophin. Suddenly, instead of moving around monopoly money to further enrich a handful of millionaires, he would be working to cure rare genetic illnesses.

"If anyone should get rich in life, it's the guy who's helping the dying kid."

—Martin Shkreli

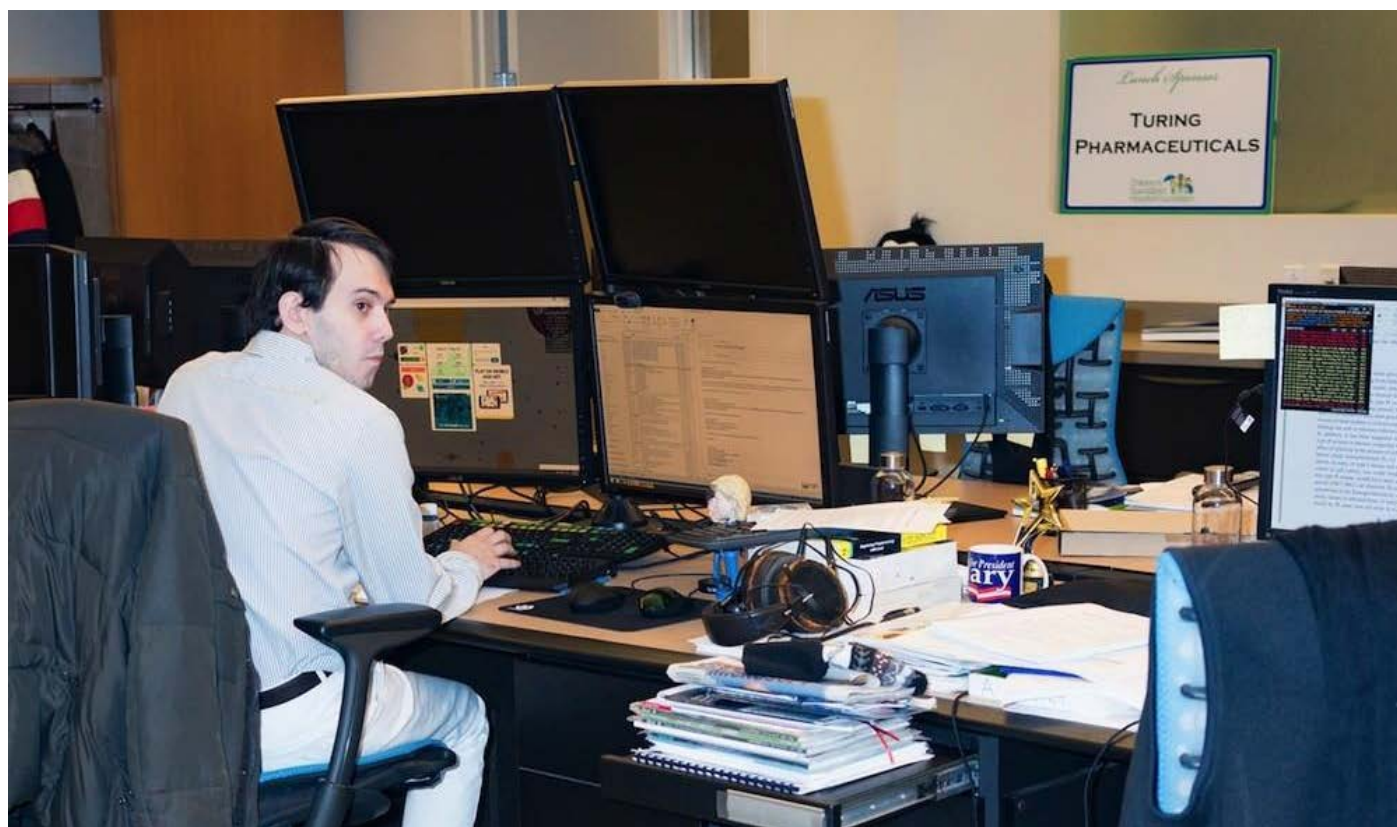
Shkreli's new company was a **success**, but its board **booted** him as CEO in September 2014. By that December, there were two lawsuits against him, with one man **alleging** that Shkreli was buying and selling his own company's stock in violation of Securities and Exchange Commission (SEC) rules, and a group of investors **claiming** that he committed "stock irregularities" by paying back investors in MSMB with Retrophin money. The first suit was dismissed within a month. But the second, which is ongoing and closely mirrors the federal indictment, claims that Shkreli lied to the SEC and that he asserted there was \$2.6 million in MSMB Capital's coffers when, in fact, its bank and brokerage accounts were nearly empty.

It was in the midst of all this that Shkreli unveiled his next project, Turing Pharmaceuticals, in February 2015. The company was **launched** with three drugs acquired from Retrophin: a ketamine nasal spray for treatment-resistant depression, an intranasal spray of the hormone that's released during orgasm and is used to control bleeding after childbirth, and a drug used to treat hypertension. Last August, Turing acquired Daraprim, the drug used to treat

Toxoplasmosis, for \$65 million, and raised the price from \$13.50 to \$750 a pill overnight—which Shkreli says was necessary in order to turn a profit on something hundreds of Americans **die from** each year.

On one hand, Shkreli can wax poetic, as he did to me, about the "puzzle of medicine" and his desire to help people. On the other hand, he told *Vanity Fair* that he switched to biotech because hedge funds weren't lucrative enough. It's the same worldview that led him to **publicly mull** fronting jailed MC Bobby Shmurda's \$2 million bail in December, but only if the **Rikers Island inhabitant** recorded some tracks in return. He wants to help people, but seems determined to do so in a way that helps Martin Shkreli most of all.

Or as he puts it, "You know, if anyone should get rich in life, it's the guy who's helping the dying kid."



David Kimberlin had one month to get his hands on some Daraprim. His patient, a pregnant woman infected with toxoplasmosis, was due to give birth in September. But in August, the 52-year-old doctor, who works at the University of Alabama in Birmingham, learned of the drug's price hike: a treatment that used to cost him \$54 a month was now running at least \$3,000. Babies born with toxoplasmosis need to be treated for about a year, with the total cost of treatment approaching \$70,000 at the bare minimum. Fortunately, after a trip to the outpatient pharmacy, his pharmacist found a supply of the stuff already on the shelves—a break Kimberlin says saved the baby's life.

With stories like this making the rounds, the HIV Medicine Association sent a letter to Turing. "This cost is unjustifiable for the medically vulnerable patient population in need of this medication and unsustainable for the health care system," it read.

"It's honestly not something that we have done," the association's director, Andrea Weddle, told me about the decision to appeal directly to the company. "But this really rose to the top for us." Turing **responded** with a letter claiming a great many patients got Daraprim for next to nothing and that "ensuring patient access to Daraprim is critically important to us."

"It didn't say much," Weddle said of the response, which was signed by the company's president of research and development, Eliseo Salinas. Realizing that Shkreli was not going to respond to requests for a price decrease, the association **started a blog** and an email system through which doctors could report problems they had accessing Daraprim; on Tuesday, Weddle told me that they'd received 40 responses from at least 21 states. They

include anecdotes from doctors who have been forced to seek alternative treatment for patients, have not been able to find facilities that will take patients in, and even told patients to go to Canada to seek care.

In one particularly disturbing story, a woman recounted how Walgreens speciality pharmacy—the only place that sells the drug—wasn't open on the weekend. She called six times on both a Monday and a Tuesday trying to explain that the matter was urgent, but was unable to get a human on the line. When she finally did, the representative said they needed to talk with the patient—who couldn't speak because she was so thoroughly infected with toxoplasmosis. Finally, the physician was able to get the drugs, although the process she described is harrowing.

"I did literally everything anyone could to get her her med as soon as possible, and it took 4.5 days," she wrote. "We pay \$750 per pill for this, you'd think Walgreens specialty could afford to stay open on the weekend when it is the only distributor of this critical medicine."

To his credit, Shkreli wrote to the blog and left his cell number, instructing anyone having troubling finding Daraprim to call him. In the time we spend together, he tells me—many times—that he gives away the pill for free to anyone who can't afford it. Still, patients suffering from toxoplasmosis say that the process to get the drug for free is too complicated for those battling a disorienting illness that disproportionately affects the homeless and indigent.

"It's so much harder than an average person would guess to jump through these hoops," says Abigail Schanfield, a 24-year-old from Minneapolis who had brain surgery in October and was diagnosed with congenital toxoplasmosis as an infant. "If you can't afford it, you have to

fill out this paperwork to get it for free, which is another barrier to access."

Turing's price hike illuminates a broader—disturbing—trend in the generic drug market that has drawn the attention of both houses of Congress.

The way medicine works in America is that if you develop a drug, you **typically** own the rights to it for 20 years. After that, other companies are free to develop generic versions, which drives down prices and makes formerly rare treatments affordable. That's the idea, anyway. The problem is that in the last five to ten years, the companies that make generic drugs have **consolidated** into larger corporations that are less likely to invest in creating products that won't be used by many patients and therefore won't generate much revenue.

"You cannot be a large company making hundreds of different drugs," Gerard Anderson, the director of the Center for Hospital Finance and Management at Johns Hopkins explained to me. "For a \$10 billion company, a \$10 million product does not make sense. You cannot have 1,000 different products and manage them." Smaller outfits, meanwhile, can't afford to invest in developing drugs that won't make a ton of money.

In the last few years, a handful of specialty drug companies realized that they could make enormous profits by snatching up rarely used drugs that have no generic competitors and are unlikely to get any. They can then jack up the prices of these drugs thanks to their monopolies on them. It's a moment in pharmaceuticals that Barry Werth, an author and biotech expert, tells me is "as unique as Donald Trump being the leading Republican

candidate for president."

There are several egregious examples of this practice that have nothing to do with Martin Shkreli. In fact, the approach **was invented by a company called Valeant**, which lost money for five years before a consultant advised executives in 2007 that the 20 percent of revenue drug companies typically throw into researching new drugs was too high. That consultant, J. Michael Pearson, suggested that those budgets be slashed because the returns on making new drugs were too low. The next year, Pearson became the company's CEO, and turned it into an extraordinarily profitable venture by laying off scientists and jacking up prices on proven drugs. Between 2009 and 2015, Valeant **raised** the price of a medicine used to treat cutaneous T-cell lymphoma from \$1,687 to \$30,320.

Other companies followed suit. Rodelis Therapeutics raised the price of a Tuberculosis drug by 2,600 percent last August; that same month, Turing bought Daraprim and raised the price by 5,000 percent.

Rodelis **reversed** its pricing strategy in September after public outcry; Shkreli **said** he would do the same last November, but later backtracked. His argument now is that he puts his money into research and development to make a safer version of Daraprim, which has not been updated since it was **approved** by the Food and Drug Administration in 1953. In November, he led a group that bought a majority stake in another company, KaloBios, and **announced** plans to raise the price of a drug used to treat another parasitic disease called Chagas.

"I mean, honestly, Martin is an enabler for all of us," says Stephen Thomas, a senior scientist and "drug inventor" (as Shkreli calls him) at Turing. "We talk to the leading researchers. These are people who donated their whole life to one disease and we tell them what we're doing and they jump out of the room. No other company works on these diseases and these patients have no drugs, no hope—and we do the work." (Thomas notes that earlier this month he got back a nice set of data on a new compound he'd invented to treat toxoplasmosis without making patients sick in the process.)

**"He should be playing craps at the casino and not trying to say he's good for the public health."
—Barry Werth**

Turing hasn't yet released any new drugs to market, but not many biotech companies in the price-hike business are making the same kind of effort it is. As of last October, Valeant's research and development budget was equal to **only 3 percent** of its sales. Shkreli has publicly claimed he's putting the majority of revenue—60 percent—into making new drugs, and that his company is **losing money** as a result.

Still, experts say we should be skeptical of his new line. They point to the fact that there's a slim chance any given drug in the early stages of clinical trial will succeed, and that it typically takes about a decade for a new one to bear fruit.

That leaves plenty of time to profit off of price-gouging before any lives are saved.

"That's his new spin on this, and it's totally Wall Street-driven," Werth says. "He was confident enough that he figured out how to impress investors and make himself a lot of money. This is a guy who made his bones shorting biotech companies, which is easy, because many of them fail. He should be playing craps at the casino and not trying to say he's good for the public health."

Werth isn't the only one who thinks medicine has taken on a Wall Street mentality in our era. On December 9, US Senators Claire McCaskill and Susan Collins led an investigation into the trend, with the latter noting that companies like Valeant, Retrophin, Rodelis, and Turing "look more like hedge funds than they do pharmaceutical companies." And even though the practice has been going on for years in the case of Valeant, Shkreli is now its public face. Senator McCaskill referred to Shkreli as "Mr. Wu-Tang" during the hearing, her voice dripping with palpable disdain.

"You can get away with high drug prices if you do it right," Werth says. "If he had raised the price 30 times instead of 5,000 times, he could have gotten away with it."



These days, Shkreli keeps mostly to a ten-block radius around his Manhattan apartment. As we walk by Pfizer's world headquarters, he tells me how he used to chuck basketballs at the building's facade and get into arguments with the security guards there, describing his hatred of Big Pharma as an inspiration for his small company—the millionaire as underdog.

"I have no problem going in there and heckling them right now," he tells me. "Big drug companies don't get the real world. They run the companies for themselves, and if they make drugs, that's incidental. It's our holy mission to make great drugs. And what we did with Daraprim is what it is. At the end of the day, the effort and the heart is in the right place."

He's wearing a band T-shirt that says "Google Chemtrails," a pair of Armani jeans that hang

off his bony hips, and a light track jacket despite the temperature being in the 20s. Shkreli seems to be mostly anonymous in the sidewalk crowd of tourists and suits, though one man stops to yell, "Free Shkreli!"

"I'm not just the heel of the music world," he says. "I want to be the world's heel."

We head back to his apartment, where he opens a magnum of Bordeaux he says cost \$15,000 and rolls around the vinyl floor on his hoverboard while taking \$120 sips. After I give the hoverboard a disastrous try, falling off and accidentally slugging him in the eye, we sit down and talk about his routine. He's no longer CEO of Turing (though he still owns the company) and was **fired** as the head of KaloBios. So what does he do all day?

Shkreli says he goes to the office, plays chess, reads science textbooks, and can be found either in his apartment, his office, or on his live stream. Because of the pending trial, he's not allowed to travel beyond suburban Westchester County—which is where he spent New Year's Eve with friends—and doesn't often go home to Brooklyn. With the Wu-Tang album playing in the background, Shkreli says he vacillates between wanting to destroy the record and dreaming of installing it in some remote place so that people have to make a spiritual quest to listen. "I'm not just the heel of the music world," he says. "I want to be the world's heel."

He also tells me that even though the securities fraud charges have nothing to do with his actions at Turing—and the government's investigation began before Shkreli became a household name—he knows for a fact that his infamy is why newly-minted US Attorney Robert Capers indicted him for his first major case.

"This is their fucking limelight," Shkreli says of the feds. "This is their chance to be gods, to be a rockstar, to be whatever it is—celebrated." (An audibly annoyed spokesperson for the US Attorney's Office in the Eastern District of New York declined to comment for this story.)

He adds that his scheme can't be Ponzi-like because the people he paid back with Retrophin stock profited: "The nutshell is that people were possibly misled into making a lot of money."

He's similarly scornful of the members of Congress who asked him to testify before their investigation into pharmaceutical price-hiking at a hearing that was supposed to be this week, but got postponed after a blizzard shut down the capital. "Politicians get elected when they take on bad guys," Shkreli says. "And someone's saying, 'This is the bad guy, therefore I have to take this guy on.'"

Even though the heavens have parted and bought him some extra time to mull it over, it's still unclear whether he'll choose to tell Congress his story or risk being held in contempt.

"I guess I can't find a nice way of saying it, but it's not my job to teach people how drugs work," he tells me. "This sounds like a nasty thing to say, but if they don't want to understand the system, why is the burden on me to understand how the system works? It shouldn't be."

For now, it seems unlikely that Shkreli will testify before Congress beyond invoking his Fifth Amendment right to avoid self-incrimination; his lawyer **has said as much**, and with a pending FTC investigation on top of the charges he's already fighting in court, it would seem like a bad move for Shkreli to serve up any more string to prosecutors.

On the other hand, this is a man who talked rich people into letting him manage their money, who kept defending his business practices on social media long after everyone hated him for them, who will spend hours telling anyone who asks—fans, enemies, reporters—pretty much anything they want, including how the system works. If he gets up in front of a microphone before an audience in DC, is he really going to be able to keep his mouth shut?

All photos by Bobby Viteri.

